

Message Text

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PAGE 01 KINSHA 08950 261553Z

53

ACTION EB-07

INFO OCT-01 AF-08 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 PA-01 PRS-01 XMB-02 OPIC-03 /116 W

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R 261545Z OCT 76

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 223

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

LIMITED OFFICIAL USE KINSHASA 8950

DEPT PASS EXIM, OPIC, TREASURY, COMMERCE

E.O. 11652: N/A

TAGS: ENRG, EALR, CG

SUBJECT: EFFECT UPON GOZ OF POSSIBLE OPEC PRICE INCREASE

1. LOCAL GULF MANAGER CONFIRMED TO EMBOFF THAT GOZ WILL BE ADVERSELY AFFECTED BY AN OPEC PRICE INCREASE DESPITE THE FACT THAT CONSUMPTION OF APPROXIMATELY 25,000 BPD OF PETROLEUM PRODUCTS IS APPROXIMATELY EQUAL TO ZAIRE'S CRUDE OIL PRODUCTION. BECAUSE CONCESSION AGREEMENT PROVIDES FOR RAPID AMORTIZATION OF DEVELOPMENT COSTS, ZAIRE PRESENTLY ONLY RECEIVES 12.5 PER CENT ROYALTY PAYMENTS. THUS, IF OPEC WERE TO INCREASE CRUDE OIL PRICES, ZAIRE WOULD RECEIVE SUCH INCREASE ONLY WITH REGARD TO ROYALTY PAYMENTS AND WOULD HAVE TO PAY PRICE INCREASE ON MUCH HIGHER VALUE OF IMPORTS.

2. COMMENT: TO ILLUSTRATE, ZAIRE'S TOTAL OIL RECEIPTS BASED
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PAGE 02 KINSHA 08950 261553Z

UPON ITS 12.5 PER CENT ROYALTY PAYMENTS ARE APPROXIMATELY

\$22 MILLION ANNUALLY; WHEREAS ITS ANNUAL EXPEDITURES
FOR PETROLEUM PRODUCTS ARE APPROXIMATELY \$150 MILLION ANNUALLY.
THUS, A HYPOTHETICAL 10 PER CENT INCREASE BY OPEC WOULD
RESULT IN INCREASED REVENUES OF APPROXIMATELY \$2.2 MILLION BUT
INCREASED EXPENDITURES OF \$15 MILLION, OR A NET INCREASE OF
\$12.8 MILLION. OF COURSE ZAIRE WOULD RECEIVE ADDITIONAL BENEFIT
FROM INCREASED OPEC PRICES AS DEVELOPMENT EXPENDITURES WOULD BE
AMORTIZED SLIGHTLY FASTER. HOWEVER, AS LOCAL FIELD ONLY WENT
ON STREAM LAST DECEMBER, IT WILL BE SEVERAL MORE
YEARS BEFORE DEVELOPMENT EXPENDITURES ARE AMORTIZED EVEN
WITH HYPOTHETICAL HIGHER PRICE OF CRUDE.

3. FYI: GULF IS MANAGER OF LOCAL CONCESSION.
CUTLER

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NNN

Message Attributes

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Margaret P. Grafeld
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04 MAY 2006

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